

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**CORRECTED  
FISCAL NOTE**

**SB 263 - HB 210**

March 1, 2011

**SUMMARY OF BILL:** Increases from \$1,000,000 to \$2,000,000 the single allowable exemption for state inheritance tax on estates of decedents dying in tax years 2011 and thereafter.

**ESTIMATED FISCAL IMPACT:**

On February 9, 2011, a fiscal note was issued estimating a fiscal impact as follows:

*Decreases State Revenue - \$6,719,700/FY11-12  
\$26,879,000/FY12-13 and Subsequent Years*

This estimate erroneously assumed that no inheritance tax savings will be spent in the economy on sales-taxable goods and services. Based on the new assumption that 50 percent of inheritance tax savings will be spent in the economy on sales-taxable goods and services, the estimated impact is:

**(CORRECTED)**

**Decrease State Revenue – Net Impact - \$6,484,500/FY11-12  
\$25,938,200/FY12-13 and Subsequent Years**

**Increase Local Revenue - \$336,000/FY11-12  
\$1,267.900/FY12-13 and Subsequent Years**

**Assumptions:**

- Fifty percent of tax savings will be spent in the economy on other sales-taxable goods and services.
- A state sales tax rate of 7.0 percent and a local option sales tax rate of 2.5 percent.
- Fiscal Review Committee staff has estimated inheritance tax collections to be \$98,000,000 and \$101,430,000 for FY10-11 and FY11-12 respectively.
- Inheritance tax collections in FY12-13 and subsequent fiscal years remain constant at \$101,430,000.

- An effective date of July 1, 2011.
- Pursuant to the nine-month filing extension authorized by Tenn. Code Ann. § 67-8-419(a), the estates of decedents dying between July 1, 2011, and September 30, 2011, are assumed to be processed during FY11-12. The estates of decedents dying between October 1, 2011, and June 30, 2011, are assumed to be processed during FY12-13. Therefore, the first-year impact (FY11-12) is estimated to be 25 percent of the first full-year impact (FY12-13).
- Based on information provided by the Department of Revenue, and from Monte Carlo simulations conducted by the Department, approximately 26.5 percent of inheritance tax revenue would be eliminated as a result of this bill. The Fiscal Review Committee staff does not have access to the data and information upon which this calculation is based and cannot independently verify its accuracy.
- The net decrease in state revenue in FY11-12 is estimated to be \$6,484,547  $[(\$101,430,000 \times 26.5\% \times 25.0\%) - (\$101,430,000 \times 26.5\% \times 25.0\% \times 50.0\% \times 7.0\%)]$ .
- The net recurring decrease in state revenue beginning in FY12-13 is estimated to be \$25,938,187  $[(\$101,430,000 \times 26.5\%) - (\$101,430,000 \times 26.5\% \times 50.0\% \times 7.0\%)]$ .
- The increase to local government revenue in FY11-12 will be \$335,987  $(\$101,430,000 \times 26.5\% \times 50.0\% \times 2.5\%)$ .
- The recurring increase to local government revenue beginning in FY12-13 will be \$1,267,875  $(\$101,430,000 \times 50.0\% \times 2.5\%)$ .

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc